SaskTel

SASKATCHEWAN TELECOMMUNICATIONS PENSION BOARD

78th Annual Report and Financial Statements

Year Ended December 31, 2005

BOARD MISSION STATEMENT

The Board is committed to pursuing sound governance practices in discharging its responsibilities as administrator of the Pension Plan. The Board strives to ensure the Pension Plan is administered always in an effective manner and consistent with the fiduciary duties owed to plan members and other stakeholders.

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MESSAGE FROM THE CHAIR

Dale Hillmer, **Chairperson**
Larry Bolster, **Member**
Robert Hamilton, **Member**
Stacey Sandison, **Member**
Randy Stephanson, **Member**
Alison McKay, **Secretary**

To: All Contributors/Pensioners in the SaskTel Pension Plan

I am pleased to submit herewith extracts from the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2005 including the financial statements audited by the External Auditor.

Copies of the complete annual report are on file in the Pension Board office, 6th Floor, 2121 Saskatchewan Drive, Regina, Saskatchewan.

The overall rate of return for the Fund in 2005 was 14.1%. The Fund gained 3% in the fourth quarter lead by offshore equities and bonds. Over the year, Canadian energy equities, long term bonds and real estate were the main drivers of the Fund.

Phase II of SaskTel's Early Retirement Program (ERP) was approved in September 2005.

The Corporation, SaskTel, has the ultimate responsibility to ensure that pension benefits are paid. As a result of the actuarial valuation, completed during 2004, SaskTel has significantly increased contributions to the plan. These contributions amounted to over 37 million dollars in 2005. This level of funding will continue for the next three years or until the plan deficit is eliminated.

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call either Alison McKay at (306)777-8481 or Don Weir at (306)777-2550.

Sincerely,

Dale Hillmer
Chairperson

March 27, 2006

PLAN MEMBERSHIP

PLAN MEMBERS AS AT DECEMBER 31, 2005

Employee Members	535
Retired Members	1,775
Total Members	2,310

PRESENT RETIREES AT THE END OF SEVENTY EIGHTH YEAR PERIOD

	As At Dec. 31, 2005		Average Age	As At Dec. 31, 2004
Retirees	491	Males	72.68	477
65 and Over	270	Females	74.56	264
Retirees	516	Males	57.97	477
Under 65	271	Females	56.82	241
Dependants	214	Spouses	74.45	209
	1	Children	15.7	3
Split Pensions	0	Males	0	0
	12	Females	64.49	9
	1,775			1,680

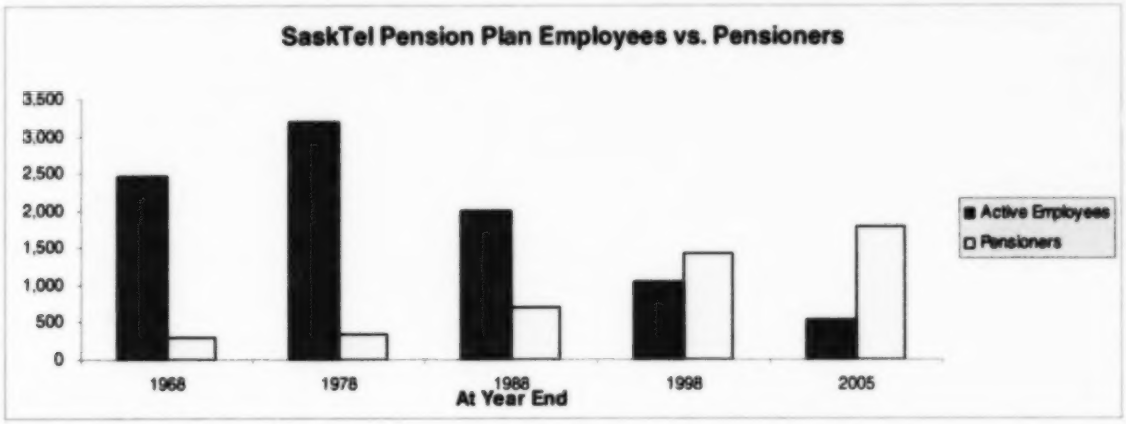
CUMULATIVE RETIREMENTS

May 1, 1928 to December 31, 2005

	Male	Female	Total
Age Limit	195	79	274
Optional Retirement	1,232	632	1,864
Ill Health	49	25	74
Ill Health Re-Employed			3
Widows/Widowers			365
Children			84
Split Pensions			13
	1,476	736	2,677

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2005

	Male	Female	Total
Direct West Employees	-	7	7
IBM Employee	-	1	1
CIC Employee	-	1	1
CEP Employee	1	-	1
SaskTel Employees	381	144	525
	382	153	535



SIGNIFICANT EVENTS 2005

EARLY RETIREMENT PROGRAM

SaskTel announced a voluntary Early Retirement Program (ERP) in September 2004.This ERP gives the Corporation the flexibility to meet its workforce reduction targets in three, two year phases. Phase I is now complete, with 215 members electing to accept the ERP, which is a take rate of 73.1%. Phase II (2006 – 2007) of a voluntary Early Retirement Program (ERP) was approved in September 2005.

The basic parameters for Phase II are consistent with Phase I as follows:

1. To be eligible an employee must meet one of the following criteria:
    - The employee's age is not less than 61 years; or
    - The employee's years of pensionable service is not less than 31 years; or
    - The employee's age, added to years of pensionable service, is not less than 85.
2. Employees eligible in the early phases of the program will not be eligible to participate in any future phases if they decline to participate when they are first eligible.
3. Benefits under this ERP are as follows:
    - SaskTel Pension Plan members receive their pension without penalties.
    - Members will receive a long service payment of two days per year of seniority service, up to March 19, 2005, and a present value lump sum bridge allowance discounted at the current five year GIC rates (equivalent to $410 per month to age 65). The service recognition program was curtailed effective March 19, 2005.

GOVERNANCE

The Board retained Hewitt Associates to update the governance policies and procedures manual during 2005. Governance activities completed by the Board during 2005 included: The Board updated the strategic plan and risk assessment review. The plan's Statement of Investment Policy and Goals (SIP& G) document was updated in April and November.

ACTUARIAL VALUATIONS

GENERAL

The Pension Benefits Regulations, 1993 require actuarial valuations be filed at least every three years. Due to the Corporation's desire to implement a voluntary Early Retirement Program (ERP), valuations were completed one year earlier as at December 31, 2003. Valuations are filed with the Saskatchewan Financial Services Commission – Pensions Division and with Canada Revenue Agency.

ASSUMPTIONS FOR FUNDING PURPOSES

Best estimate assumptions, for funding purposes, are a set of actuarial assumptions each of which reflects the Board's judgment of the most likely set of conditions affecting future events. Following are the significant best estimate assumptions used in the December 31, 2003 valuation to determine the actuarial value of accrued pension benefits:

Significant Assumption	Valuation as at Dec. 31, 2003	Valuation as at Dec. 31, 2001
Rate of Return on Assets	7.00%	7.25%
Inflation	3.00%	3.00%
Salary Escalation	0.0% - applied to 2003 salaries 1.25% - applied to 2004 & 2005 salaries 3.50% thereafter	3.00% - applied to 2001 & 2002 salaries 3.50% thereafter
Future Indexing	2.00%	2.00%

The mortality rate was applied utilizing the Uninsured Pensioner 1994 Mortality Table with mortality improvements projected to the year 2010.

ACCOUNTING, FUNDING AND SOLVENCY EXTRAPOLATIONS

The **Accrued Projected Benefit Method** Prorated on Services is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Ongoing Funding Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to Plan members.

The **Solvency Method** determines the solvency position of the plan if it were wound up on the valuation date. Following is a comparative analysis of the Plan surplus (deficit) under the three methods:

Method	2005 (Extrapolated)	2003 (Actuarial Valuation)	2001 (Actuarial Valuation)
		(Thousands of dollars)	
Projected Benefit Method	($109,122)	($101,093)	$ 7,942
Ongoing Funding Method	$56,916	($86,266)	$ 487
Solvency Method	($154,663)	($90,650)	$ 57

FUNDING

The Pension Benefits Regulations, 1993 require Funding deficiencies be eliminated in 15 years and Solvency deficiencies be eliminated in five years. The Corporation has the ultimate responsibility to ensure that the pension benefits are paid. Following is a summary of the annual contributions required.

	(Thousands of dollars)	
	2005	**2004**
Employee Contributions	$2,116	$2,613
Employer Current Service Cost (330% of Employee Contributions)	6,791	8,456
Amortization of Unfunded Liability	9,180	9,180
Amortization of Solvency Deficiency	20,951	20,951
Employer Contributions	$36,922	$38,587
Total Contributions	$39,038	$41,200

INVESTMENT HIGHLIGHTS

OBJECTIVE OF THE PLAN

The purpose of the Saskatchewan Telecommunications Pension Plan (the "Plan) is to meet the present and future obligations accumulated on behalf of the Plan's participants.

INVESTMENT POLICY

The Statement of Investment Goals and Policies (SIP&G) is updated and approved by the SaskTel Pension Plan Board annually. The policy provides a framework for the prudent investment and administration of the pension fund. The policy also provides the investment managers with a written statement of specific quality, quantity and rate of return standards.

Plan Assets (Fund) should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return. An assessment of the risk tolerance of the Plan considers the cash demands and the closed nature of the Plan, along with the financial position. The Plan maturity is above average in that retired lives dominate the membership, and liquidity needs are increasing. The need for continued growth is also a consideration, given the 2% guaranteed indexing for retirees and the impact of inflation on the future pension liabilities of the active members. Based on these factors, the Fund can assume a modest level of investment risk, defined as the volatility of returns in any year, to achieve the income and growth objectives. This assessment implies a long-term asset mix strategy that has a significant position in fixed income and as well as equity exposure for diversification and growth.

RISK PHILOSOPHY

While prudent management seeks to avoid excessive volatility, it is recognized that a low risk investment policy will earn a low rate of return. The impact may be that the Plan's liabilities grow faster than the assets. Therefore, in order to achieve the long-term investment goals, the Fund must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. However, the Board attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

RISK MANAGEMENT

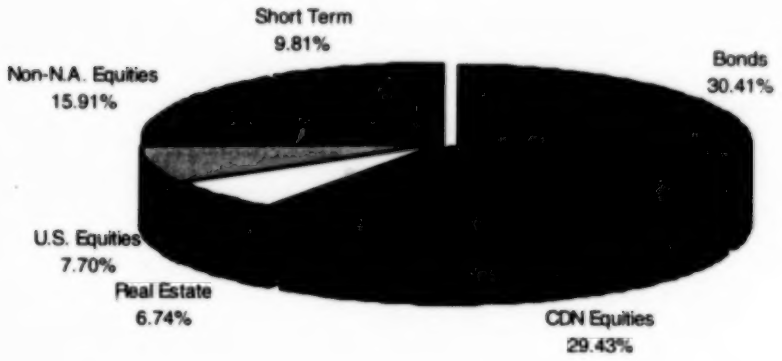
The Board is responsible for identifying business risks that could adversely affect the operation of the plan and the provision of the benefits promised by the plan. Through the annual strategic planning and risk assessment process, the Board will review risk management strategies and ensure the appropriate systems are in place and steps are taken to manage risks.

ASSET MIX

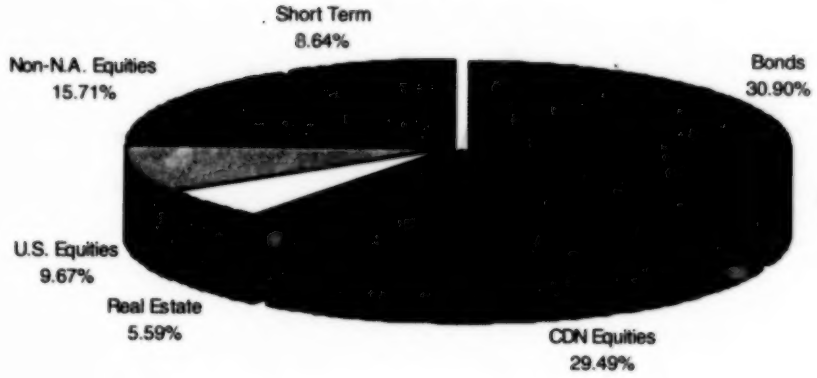
Taking into consideration the investment and risk philosophy of the Fund, the following range and target asset mix has been established:

	Range	Target
Equities (Includes Real Estate)	43 – 74%	61%
Fixed Income	30 – 50%	39%

December 31, 2005

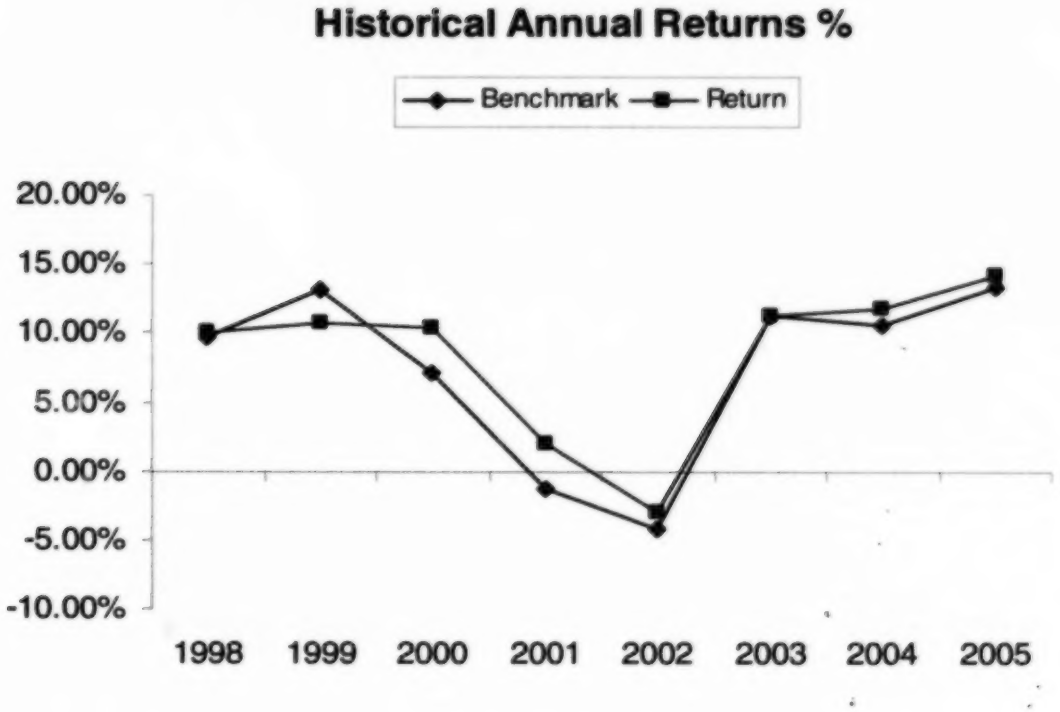


December 31, 2004



INVESTMENT PERFORMANCE

Return on Investments %	2005	2004
Annual Return	14.1	11.7
Annual Benchmark	13.4	10.5
Four year annualized return	8.3	5.0
Four year benchmark	7.6	3.8

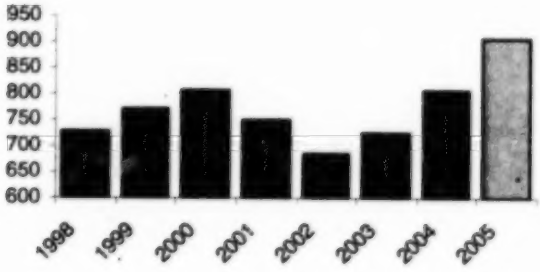


FINANCIAL HIGHLIGHTS

Investment returns of 14.1% in 2005 exceeded the expected return of 7.0%. This is the third year in a row that returns have exceeded expectations after two years of declining returns in the world's major financial indexes.

Net assets available for benefits increased by 12.6% to over $908 million in 2005

SaskTel Pension Plan
Net Assets
$ (millions)

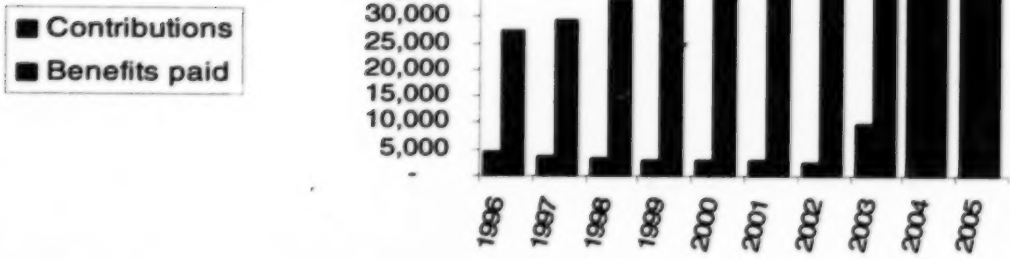


Net Assets Available for Benefits

$ (thousands)	2005	2004
Net assets available for benefits - opening balance	$806,301	$724,794
Plus: Investment Income	34,624	26,156
Contributions	39,038	41,200
Less: Benefits	47,974	42,414
Expenses	2,387	1,401
Unrealized gains (losses)	79,085	57,966
Net assets available for benefits at year end	$908,687	$806,301

Contributions decreased from $41.2 million in 2004 to $39.0 million in 2005. SaskTel contributed $36.9 million in 2005. As a result of the ERP there are fewer employees contributing to the Plan resulting in a decrease in contributions of over $2 million.

Benefits Paid and Contributions
$ (thousands)



Saskatchewan Telecommunications Pension Plan
Management's Responsibility for
Financial Statements, Actuary's Opinion and Auditors' Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Telecommunications Pension Plan and all information in the annual report are the responsibility of the Plan management and have been approved by the Pension Board. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgement.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of the Fund has developed and continues to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Pension Board meets with management and with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by KPMG LLP, Chartered Accountants, who have full access to the Board, with and without the presence of management. Their report follows.

R Stephanson

Randy Stephanson
Chief Financial Officer

Alison McKay

Alison McKay
Administrator, SaskTel Pension Board

March 27, 2006

Actuary's Opinion

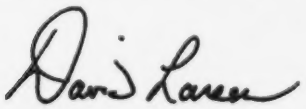
Aon Consulting Inc. was retained by the Saskatchewan Telecommunications Pension Board (the "Board") to perform actuarial valuations of the assets and liabilities of the Saskatchewan Telecommunications Pension Plan (the "Plan") as at December 31, 2003. Aon Consulting Inc. was further retained to prepare extrapolations of the valuation results to December 31, 2005 for inclusion in the Annual Report for the year ended December 31, 2005.

The valuation and extrapolation of the Plans' actuarial assets and liabilities were based on:

- Membership and asset data provided by the Board as at December 31, 2003;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon Consulting Inc. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in my opinion these assumptions are reasonable, the Plans' future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

The data has been tested for reasonableness and consistency with prior valuations and in my opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. It is also my opinion that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. My opinions have been given, and the valuation and extrapolation have been performed in accordance with accepted actuarial practice.



David R. Larsen
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

February 17, 2006

KPMG LLP
Chartered Accountants
2000 - 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Fax (306) 757-4703
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and deficit of Saskatchewan Telecommunications Pension Plan as at December 31, 2005 and the statements of changes in net assets available for benefits and accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and deficit of the Plan as at December 31, 2005 and the changes in the net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
March 27, 2006

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 1**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND DEFICIT AS AT DECEMBER 31, 2005

	2005	2004
	(Thousands of dollars)	
ASSETS		
Cash	$ 335	$ 85
Accrued investment income	5,002	4,184
Contributions receivable		
Employee	82	103
Employer	269	333
Other	2	2
Investments (Note 4)	904,035	802,524
	909,725	807,231
LIABILITIES		
Accounts payable	1,038	930
Net assets available for benefits (Statement 2)	908,687	806,301
Accrued pension benefits (Statement 3)	1,017,809	889,740
DEFICIT	$ (109,122)	$ (83,439)

(See accompanying notes to the financial statements)

Approved by the Pension Board

Dale Hillmer – Chairperson

Stacey Sandison – Member

Larry Bolster – Member

Randy Stephanson – Member

Robert Hamilton – Member

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 2**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	$ 806,301	$ 724,794
INCREASE IN ASSETS		
Investment income		
Bonds	15,109	11,759
Equities	14,536	9,395
Real estate	2,999	3,487
Short term	1,980	1,474
Other	0	41
	34,624	26,156
Increase in market values of investments	79,085	57,966
Contributions		
Employers'	36,922	38,587
Employees' current and past service	2,116	2,613
	39,038	41,200
Total increase in assets	152,747	125,322
DECREASE IN ASSETS		
Benefits paid to pensioners and beneficiaries	47,974	42,414
Administration costs (Note 6)	2,138	1,800
Refunds and transfers		
Contributions	98	(148)
Interest	151	(251)
	249	(399)
Total decrease in assets	50,361	43,815
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 908,687	$ 806,301

(See accompanying notes to the financial statements)

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 3**

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Thousands of dollars)	
ACCRUED PENSION BENEFITS AT BEGINNING OF YEAR	$ 889,740	$ 822,203
Experience loses (Note 5)	0	3,684
ACCRUED PENSION BENEFITS ADJUSTED FOR ACTUARIAL VALUATION BEFORE THE UNDER NOTED	889,740	825,887
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	51,266	50,746
Benefits accrued	9,951	12,255
Special termination costs (Note 10)	29,666	28,412
Impact of assumption changes (Note 5)	104,268	17,935
	195,151	109,348
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	47,974	42,414
Curtailment gain (Note 10)	19,108	3,081
	67,082	45,495
ACCRUED PENSION BENEFITS AT END OF YEAR	$ 1,017,809	$ 889,740

(See accompanying notes to the financial statements)

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 2005

1. Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

(a) General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. Effective January 1, 1999 the Plan is governed by the Pension Benefits Act, 1992 (the Act). Prior to January 1, 1999 the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992, registration #0360891, and is administered by a five person Board appointed by the Corporation and Union.

(b) Investments

Investment managers identified in note 6 have been engaged to invest Plan assets based on guidelines approved by the Pension Board. The objective of these investment guidelines is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio of Canadian and foreign equities and bonds, within the parameters prescribed under The Income Tax Act and The Pensions Benefits Act, 1992. Due to the long-term nature of the pension obligations and related cash flows, investment mix guidelines consider differences in the interest rate sensitivity of the Plan's assets and liabilities.

The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. No other type of investment is permitted without the prior approval of the Board.

(c) Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation of the Plan was performed as at December 31, 2003. The next valuation is required as at December 31, 2006.

Plan members are required to contribute to the Plan a percentage of their pensionable salary. They contribute 7%, 8% or 9% of salary depending on their age at the date of commencement of employment, less contributions to the Canadian Pension Plan.

The financial health of the Plan is guaranteed by the Corporation; which contributes the additional amounts necessary to properly fund payment of benefits to Plan members. Effective January 1, 2004 the Corporation is contributing to the Plan at a rate of 330% of employee contributions.

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 2005

1. Description of the Plan (continued)

(d) Benefits

The Corporation guarantees the payment of the pension benefits payable under the terms of the pension plan as amended from time to time, including:

i) Service Pensions

The SaskTel defined benefit pension plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years of pensionable earnings times the number of years of service up to a maximum of 35 years of service. A reduced pension may be opted for if certain age and years of service criteria are met. At age 65 members' pensions are reduced due to integration with the Canada Pension Plan.

Plan members may also elect to receive a joint annuity whereby a reduced pension is payable during the life of the member and/or the life of the spouse or dependents. When the plan member dies the spouse is entitled to receive a pension equal to 100% of the reduced pension.

If a member retires before age 65, the member may elect a varied allowance, whereby, an additional allowance is received until age 65 at which time the allowance will be reduced.

ii) Health Pensions

The Plan provides for early retirement when a member is permanently incapable, as declared by the Board, of performing his/her regular job duties.

iii) Survivors' Pensions

If a plan member dies after retiring, the surviving spouse receives 60% of the member's pension. Dependants under 18 receive 10%, to a maximum of 25% for all dependants combined.

iv) Death Refunds

A death refund is payable to the estate or designated beneficiary of a pensioner, in an amount equal to the difference between the pensioner's accumulated contributions and interest less the total sum of all allowances paid.

(e) Refunds and Transfers

Upon ceasing employment with the Corporation, plan members may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer accumulated contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan as permitted by the Act. Legislation passed in 1993 allows Plan members, upon ceasing employment, to transfer their contributions with interest, together with a matching company portion to the Public Employees Pension Plan.

(f) Income Taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 2005

2. Authority

The Plan is continued pursuant to the provisions of the Pension Benefits Act, 1992. Contributions and investment earnings are accumulated in the pension fund for the purpose of providing pensions to the contributing members of the Plan.

Employees transferred to IBM, DirectWest Corporation. (DirectWest) and Crown Investments Corporation of Saskatchewan (CIC) continue to participate in the Plan as per the Plan Text.

3. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

(a) Basis of Accounting

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Investments

Investments are stated in the financial statements at market value, which approximates fair value. Bonds, pooled funds and equities are recorded at market values, which are determined with reference to year-end prices from recognized securities dealers. Market values for mortgages are computed using yield to maturity calculations. Real estate investments are valued at market based on independent appraisals. Short term investments are valued at cost, which approximates market value. Transactions are recorded as of the trade date.

(c) Increase/Decrease in Market Value of Investments

The change in market value reflects the current year's realized and unrealized gains and losses on investments.

(d) Translation of Foreign Currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 2005

4. Investments

The Fund has the following investments:

	2005 ($000)	2004
Bonds	$ 178,353	$ 164,216
Pooled bond fund	96,508	83,801
Canadian equities	200,108	188,113
Canadian pooled equity funds	65,945	48,536
US equities	69,569	61,723
Non-NA pooled equity funds	143,875	126,114
Real estate	60,975	44,872
US pooled equity fund	0	15,845
Short term investments	88,702	69,304
Total Investments	$ 904,035	$ 802,524

Bonds

The Plan's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio. As at December 31, 2005, the Fund held 0% (2004 - 0%) in BBB bonds.

	2005			2004		
	Market Value ($000)	Weighted Average Yield (%) to Maturity at Market	Average Years to Maturity	Market Value	Weighted Average Yield (%) to Maturity at Market	Average Years to Maturity
Government of Canada	$ 67,608	4.45	21	$ 66,200	5.38	21
Province of Saskatchewan	7,328	4.85	29	5,694	5.50	27
Other Provincial	68,420	5.00	24	59,121	5.50	24
Corporate	34,997	5.35	22	33,201	5.99	25
Total	$ 178,353	4.91	24	$ 164,216	5.59	24

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December 31, 2005

4. Investments (continued)

Real Estate

Investments in real estate consist of Canadian commercial property.

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager's portfolio. At December 31, 2005, 6.2% (2004 – 6.8%) was the largest individual holding.

Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any Corporation. At December 31, 2005, 0.09% (2004 - 0.1%) was the largest individual holding.

Foreign equities including foreign pooled funds are limited to 30% of the cost of the investment portfolio and are denominated in Canadian dollars. Foreign equities represent 25.7% (2004 - 27.9%) of the cost of the Fund.

Short Term Investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 3.4% to 4.1% (2004 – 2.3% to 2.7%) and an average term to maturity of 98.4 (2004 – 78.8) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-2" as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 16.8% (2004 – 10.8%) of the market value of the short-term investment portfolio.

5. Accrued Pension Benefits

The present value of accrued pension benefits was determined using the accrued projected benefit method pro rated on services. An actuarial valuation was performed at December 31, 2003 by AON Consulting, a firm of consulting actuaries and extrapolated to December 31, 2005. An actuarial valuation is an assessment of the financial status of a pension plan. It consists of the valuation of assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the terms of the plan.

Accrued pension benefits are sensitive to changes in the discount rate, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Board applies best estimate assumptions on these and other future economic events. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimates.

Following are the significant assumptions used to determine the actuarial present value of accrued pension benefits as at December 31:

Significant Assumption	**2005**	**2004**
Discount Rate	5.25%	5.90%
Inflation	2.50%	1.90%
Salary Escalation	3.00%	1.90%
Future Indexing	2.00%	2.00%

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 2005

5. Accrued Pension Benefits (continued)

The following illustrates the effect on the Plan deficit of changing certain actuarial assumptions:

	Long - Term Assumptions						
	Discount Rate		Inflation		Salary Escalation		Future Indexing
	4.25%	6.25%	1.50%	3.50%	2.00%	4.00%	1.0%
(Thousands of dollars)							
Increase (decrease) in liability	$138,403	($114,807)	$51,671	($98,450)	($15,656)	$16,357	($59,525)

The Plan Text guarantees future indexing at 100% of CPI to a maximum of 2%. Therefore the impact of future indexing at a rate higher than 2% is not applicable.

The mortality rate was applied utilizing the 1983 Group Annuity Mortality Table with mortality improvements projected to the year 2003.

The pension liability is long term in nature. There is no ready market for settling the pension obligation and the Plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of the pension liability is not practical.

6. Administration Costs

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan. Other direct out of pocket expenses including custodial, investment manager and consulting fees are paid by the Plan. The costs to administer the Plan (staff salaries, actuarial and auditor costs) are also borne by the Plan and are reflected in the accompanying financial statements. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

RBC Global Services

As the custodian of the pension fund assets, RBC Global Services performed the processing and handling of investment transactions.

James P. Marshall, a Hewitt Company.

The consultant to the Board provided analytical and financial advice.

Greystone Capital Management Inc.
Beutel Goodman & Company Ltd.
TD Asset Management (TDAM)
Grantham, Mayo, Van Otterloo & Company (GMO)

The investment managers managed the investing and disposing of Plan assets. Greystone has a balanced mandate. Beutel has a specialty Canadian equity mandate. TDAM has a bond and US equities Index mandate. GMO has a specialty All Country ex U.S. Equity mandate.

Saskatchewan Telecommunications Pension Plan
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7. Investment Performance

The investment manager makes the day to day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The investment performance objectives are set by the board. The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4-year periods. For the four years ending December 31, 2005, the Fund had an annualized gross rate of return of 8.3%. The investment benchmark for this four-year period was 7.6%.

The rate of return generated by the Fund in 2005 was 14.1%, the investment benchmark was 13.4%.

8. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government.

The Plan holds an investment in SaskPen Properties Ltd. of $4,297,339 (2004 - $3,621,052). Income and market value adjustment totaled $279,047 (2004 - $404,800).

The Plan holds Province of Saskatchewan bonds with a total face value of $6,094,000 (2004 - $4,884,000) and a total market value of $7,328,218 (2004 - $5,694,626). Income totaled $373,795 (2004 - $235,907).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

During the year the Plan paid $216,000 (2004 - $216,000) to the Corporation for administration fees.

9. Financial Instruments

The Plan's assets are not invested directly in currency futures, financial futures or other derivatives, and no hedging activities are conducted directly by the Pension Plan. Such derivative instruments are used occasionally with the Emerging Market and Non-North American Funds, which are pooled equity funds, administered by an investment manager with no recourse to the Plan itself. The fair value of financial assets and liabilities, other than investments (notes 3b and 4) and accrued pension benefits (note 5) approximate fair value due to their immediate or short-term nature.

10. Voluntary Early Retirement Program

Phase I of the voluntary Early Retirement Program which was offered to employees for the period January 1, 2004 to December 31, 2005 is now complete. Two hundred and ninety-four members met the eligibility requirements and two hundred and fifteen accepted for a take rate of 73.1%.

Phase II of the voluntary Early Retirement Program was approved and will cover the period January 1, 2006 to December 31, 2007. Three hundred and forty one members meet the eligibility requirements with seventy-five of ninety two of the first group accepting for a take rate of 81.5%.

The cost of this voluntary Early Retirement Program for the members who have accepted in 2005 is estimated at $29,665,519 (2004 – $28,411,575) and has been reflected as an increase to accrued pension benefits. In addition, this voluntary Early Retirement Program created a curtailment to the Plan. The 2005 $19,108,433 (2004 – $3,080,952) curtailment gain results in a decrease to accrued pension benefits.

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **SCHEDULE 1**

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS
FROM THE PERIOD MAY 1, 1928 TO DECEMBER 31, 2005

CUMULATIVE INCREASE IN ASSETS

		(Thousands of dollars)
Investment income		$ 720,839
Cumulative increase in market value of investments		485,344
Contributions		
Employers'		221,356
Employees' - Active	$ 34,706	
- Retired, deferred	71,973	
- Resigned	14,953	
- Transferred	649	122,281
Early and enhanced retirement adjustments		19,450
Employer withdrawal		(34,200)
Employees' interest on back contributions		729
		1,535,979

CUMULATIVE DECREASE IN ASSETS

Benefits paid to pensioners and beneficiaries	597,574	
Refund of employees' contributions	11,945	
Interest on refunded employees' contributions	3,829	
Transfer of contributions	7,216	
Transfer of interest on contributions	6,582	
Supplementary retirement payments		
to employees not eligible for pension	93	
Death benefits (matching amount)	36	
Interest on employee's savings plan	17	627,292

NET ASSETS AVAILABLE FOR BENEFITS AT
DECEMBER 31, 2005 $ 908,687